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Message Text

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43
ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02

OMB-01 SWF-02 DRC-01 /194 W
---------- 023811
R 240935Z MAY 74
FM AMEMBASSY HELSINKI
TO SECSTATE WASHDC 7490
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
USMISSION EC BRUSSELS
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY COPENHAGEN
USMISSION GENEVA
AMEMBASSY MOSCOW
AMEMBASSY OSLO
USMISSION OECD PARIS
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY STOCKHOLM
AMEMBASSY VIENNA
AMEMBASSY WARSAW

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E.O. 11652: N/A
TAGS: ETRD, GATT, XH, FI
SUBJECT: FINLAND-EAST EUROPE TRADE AGREEMENTS

REF: A. HELSINKI 0933
B. US MISSION GENEVA 3224
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1. SUMMARY: FINNISH FOREIGN TRADE MINISTER LAINE HAS BEGUN AN EXCHANGE OF VIEWS WITH THE UNITED STATES ABOUT FREE TRADE AGREEMENTS IT IS NEGOTIATING WITH VARIOUS EASTERN EUROPEAN COUNTRIES. HE CONCEDED TO AMBASSADOR MALMGREN THAT WHILE AGREEMENTS WERE CONSISTENT WITH SPIRIT OF GATT, THEY MIGHT BE THOUGHT BY SOME NOT TO MEET GATT REQUIREMENTS FOR MUTUAL REDUCTION OF TARIFFS, SINCE SEVERAL OF THE EASTERN EUROPEAN STATE-TRADING COUNTRIES HAD NO EFFECTIVE TARIFF STRUCTURES.

2. AMBASSADOR HAROLD MALMGREN, DEPUTY SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, ACCOMPANIED BY EMBASSY ECONOMIC COUNSELOR CALLED ON FOREIGN TRADE MINISTER JERMU LAINE ON MAY 22. MEETING OCCURRED AFTER MALMGREN HAD MADE WELL-RECEIVED ADDRESS TO GROUP OF LEADING FINNISH OFFICIALS, ACADEMICS AND BUSINESSMEN AT LUNCH CO-SPONSORED BY MISSION AND FINNISH-AMERICAN CHAMBER OF COMMERCE. LAINE RAISED DURING GENERAL REVIEW OF TRADE ISSUES MATTER OF TRADE AGREEMENTS WHICH FINLAND HAS RECENTLY NEGOTIATED WITH BULGARIA AND HUNGARY. THESE WILL BE PRESENTED TO FINNISH PARLIAMENT SOON FOR RATIFICATION.

3. LAINE SAID FINLAND IS ALSO IN EXPLORATORY DISCUSSIONS WITH POLAND, CZECHOSLOVAKIA AND EAST GERMANY WITH VIEW TO NEGOTIATING SIMILAR AGREEMENTS (AS REPORTED IN HELSINKI'S 0933). HE SAID FINLAND IS SEEKING AN "ALL-EUROPEAN COMMERCIAL ARRANGEMENT". THE BULGARIAN AND HUNGARIAN AGRRMENTS ARE A NEW TYPE AS REGARDS EASTERN EUROPE AND ARE PATTERNED CLOSELY ALONG LINES OF FINLAND-EC FREE TRADE AGREEMENT. LAINE SAID AGREEMENTS AIM AT CONSISTENCY WITH GATT ARTICLE XXIV. THEY HAVE A TIMETABLE, SENSITIVE AREAS ARE SET ASIDE FOR "LONGER TRANSITION PERIOD" AND A SAFEGUARD CLAUSE SOMEWHAT TOUGHER THAN EC-FINLAND SAFEGUARD IS PROVIDED. INTENTION IN ALL AGREEMENTS IS TO HAVE EAST EUROPEANS MAKE CONCESSIONS, INCLUDING ELIMINATION OF TARIFFS WHERE RELEVANT, (HUNGARY AND BULGARIA HAVE TARIFFS, BUT POLAND DOES NOT AND CZECH DUTIES ARE INOPERATIVE).

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4. FINLAND HAS LEARNED THAT POLAND INTENDS TO INTRODUCE CUSTOMS DUTIES WITHIN YEAR SO THOSE NEGOTIATIONS MAY BE PUT OFF UNTIL THEY ARE IN EFFECT. BUT FINLAND REALIZES THAT LEGALISTICALLY AT LEAST FREE TRADE AGREEMENS WITH EAST EUROPEAN COUNTRIES WHICH HAVE NO EFFECTIVE TARIFFS MAY PRESENT DIFFICULTIES, SINCE GATT RULES CALL FOR BOTH SIDES TO REDUCE CUSTOMS DUTIES IN ROUGH BALANCE.

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5. FINLAND FEELS IT WOULD BE DESIRABLE TO DISCUSS THESE EAST EUROPEAN AGREEMENTS, WHICH WERE RECENTLY EXPLAINED IN EC AND PROBABLY IN THE AUTUMN 1974 WILL BE NOTIFIED TO GATT, WITH THE MOST INTEREST COUNTRIES SUCH AS THE US IN ADVANCE OF FORMAL CONSIDERATION IN GATT. FINLAND RECOGNIZES THAT THESE AGREEMENTS WILL SET A PRECEDENT. FINLAND IN FACT WOULD LIKE THE AGREEMENTS TO SERVE AS MODELS FOR AGREEMENTS OF OTHER COUNTRIES, INCLUDING WEST EUROPEAN TRADE AGREEMENTS WITH EAST EUROPEAN COUNTRIES. IN RESPONSE TO QUESTION, MINISTER LAINE SAID THAT INITIATIVE FOR THE AGREEMENTS HAD BEEN FROM FINNSH SIDE. EXCEPT FOR HUNGARY WHICH NOW SEES SOME POTENTIAL FOR INCREASING TRADE WITH FINLAND, OTHERS WERE NOT ENTHUSI-ASTIC AND FINLAND HAS HAD DIFFICULTY CONVINCING THEM THEY MUST GIVE SOME QUID PRO QUO FOR FINNISH TARIFF REDUCTIONS. TRYING TO LOCATE NONTARIFF BARRIERS AND OTHER HINDRANCES TO TRADE WHICH MIGHT BE ELIMINATED HAS BEEN PROBLEM.

6. MALMGREN SAID THAT WHILE THESE EAST EUROPEAN AGREE-MENTS ARE PROBABLY NOT AS SIGNIFICANT AS FINNISH AND SWEDISH ASSOCIATION AGREEMENTS WITH EC, US IS VERY SENSITIVE TO ANY AGREEMENT INVOLVING TRADE DISCRIMINATION AGAINST US BECAUSE OF THE EXAMPLE THEY SET. HE ACCEPTED COPY OF FINNISH-HUNGARIAN AGREEMENT WHICH HE IS HAND-CARRYING TO WASHINGTON AND ASSURED MINISTER THAT USG WOULD GIVE AGREMENTS EARLY INTERAGENCY REVIEW, BEGINNING WITH TRADE STAFF COMMITTEE, TO DETERMINE US POLICY REACTION.

7. AFTER MEETING, PAAVO KAARLEHTO, DEPUTY DIRECTOR OF ECONOMIC DEPARTMENT OF FOREIGN MINISTRY, WHO HAD BEE PRESENT, TOLD ECON COUNSELOR THAT HE HIMSELF HAD BEEN LIMITED OFFICIAL USE

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SCHEDULED TO GO TO WASHINGTON TO BRIEF US OFFICIALS ON THESE EAST EUROPEAN AGREEMENTS BUT WHEN MALMGREN'S VISIT BECAME KNOWN, IT WAS DECIDED INSTEAD TO MAKE INITIAL APPROACH IN HELSINKI TO HIM.

8. COMMENT: IT HAS BECOME EVEN MORE CLEAR THAT VALUE TO FINLAND OF THESE TRADE AGREEMENTS WITH EASTERN EUROPEAN COUNTRIES IS ALMOST ENTIRELY POLITICAL, AS A VOLUNTARY OFFSET TO FINLAND'S ASSOCIATION AGREEMENT LAST YEAR WITH THE EUROPEAN COMMUNITY. THERE WAS AND IS NO PRESSURE FROM THE EASTERN EUROPEAN CEMA COUNTRIES FOR SUCH AGREEMENTS AND PROBABLY NONE FROM THE USSR EITHER. KREHBIEL

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